

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6165**

**BILL NUMBER:** HB 1195

**DATE PREPARED:** May 2, 2001

**BILL AMENDED:** Apr 29, 2001

**SUBJECT:** Local taxation.

**FISCAL ANALYST:** John Parkey; Dave Hoppmann; Bob Sigalow.

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**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (CCR Amended) This bill has the following provisions:

(A) Authorizes Randolph County to impose an additional 0.25% county economic development income tax (CEDIT) rate for the purposes of financing, constructing, acquiring, renovating, and equipping the county courthouse and renovating the former county hospital for additional office space, educational facilities, nonsecure juvenile facilities, and other county functions. Provides that the additional rate may also be used for the repayment of bonds issued, or leases entered into, for those purposes. Provides that the county's CEDIT rate plus the county's county adjusted gross income tax (CAGIT) rate may not exceed 1.5% if the county has imposed the additional CEDIT rate authorized by this bill. Authorizes the county to adopt an ordinance that makes the CEDIT rate increase effective January 1, 2002.

(B) Provides that the property tax exemption for real property containing certain improvements that were constructed, rehabilitated, or acquired under the federal low income housing tax credit and for which the owner of the property has entered into an agreement to make payments in lieu of taxes applies in Dearborn County. (Under existing law, the exemption applies only in Marion County.)

(C) Allows South Bend, Fort Wayne, and Evansville to establish economic development project districts. Provides that the Fort Wayne and South Bend districts must contain a commercial retail facility with at least 500,000 square feet. Provides that the Evansville district may not contain territory outside the boundaries of a redevelopment area established within the central business district before 1985. Provides that sales tax increment financing may be used only for stated purposes. Provides that not more than 50% of the net increment each year may be used for these purposes. Provides that not more than a total of \$1,000,000 of sales tax revenue increment may be captured during the existence of the district.

**Effective Date:** (CCR Amended) Upon Passage; July 1, 2001; January 1, 2002.

## **Explanation of State Expenditures:**

**Explanation of State Revenues:** (Revised) (C) *Economic Development Project Districts*: The establishment of economic development project districts in South Bend, Ft. Wayne, and Evansville could reduce state sales tax revenue by a total of \$3 M. This bill allows these cities to establish a district and use up to 50% of the net increment of sales tax revenue generated in the district each year. The overall impact of this provision on state revenue will be determined by local actions. It is not known how much sales tax will be collected and transferred annually.

This bill does not give the cities' redevelopment commissions the privilege to collect a sales tax. It does, however, allow the commissions to capture a portion of the increase in sales tax revenue collected in the district that is *above* the revenue generated in a base year, as determined by the Department of State Revenue. The bill limits these collections to a total of \$1 M in each district.

**Explanation of Local Expenditures:** (Revised) (A) *Randolph County CEDIT*: Revenue from the additional CEDIT rate increase of 0.25% would be used to pay the costs of financing, constructing, acquiring, renovating, and equipping the county courthouse and renovating the former county hospital for additional office space, educational facilities, nonsecure juvenile facilities, and other county functions. (Additional revenue would also be used for the repayment of bonds issued, or leases entered into for those purposes.)

The bill would allow Randolph County to impose an additional CEDIT rate only until the financing on constructing, acquiring, renovating, and equipping the county courthouse and renovating the former county hospital for additional office space, educational facilities, nonsecure juvenile facilities, and other county functions is completed. (Randolph County would then be required to reduce its CEDIT rate in accordance with current law.)

**Explanation of Local Revenues:** (A) *Randolph County CEDIT*: Under current law, counties are allowed to impose CEDIT at a tax rate of up to 0.5% (with certain exceptions). Under this bill, Randolph County would be allowed to impose CEDIT at a tax rate of up to 0.75%.

The CY 2001 CEDIT certified distribution at a .25% rate for Randolph County is \$826,220. (As described below in the *Background* section, Randolph County does not currently adopt the maximum CEDIT rate of 0.5% due to its CAGIT rate of 1.0%.) An additional 0.25% CEDIT rate would equal approximately \$826,220 in additional revenue for the entire year.

Randolph County would be allowed to adopt the CEDIT rate increase after March 31, 2001, which would take effect January 1, 2002. If the County Council imposes the increase as described above, Randolph County would begin receiving revenues beginning in January of 2003. The projected collections for CY 2003 are not available at this time. (However, these amounts are assumed to be approximate to the CY 2001 projected collections.)

*Background-* For CY 2001, the CEDIT rate for Randolph County is currently .25%. Under current Indiana law (with few exceptions), counties that impose CAGIT and CEDIT may not exceed a combined CAGIT/CEDIT rate of 1.25%. Currently, Randolph County has a combined CAGIT/CEDIT rate of 1.25%.

Randolph County would be allowed to adopt a combined rate of 1.5% until required to reduce its CEDIT rate in accordance with the provisions of this bill.

**(B) PILOTS:** This proposal would exempt from taxation real property located in Dearborn County and owned by an Indiana corporation if the improvements were constructed, rehabilitated, or acquired to provide low income housing; the property is subject to an extended use agreement; and the owner agrees to make payments in lieu of taxes (PILOTS). (Marion County has a similar exemption available under current law). With the approval of the property owner, the county fiscal body may, under this proposal, adopt an ordinance requiring that the property owner pay PILOTS. The payments would be equal to the taxes that would have been levied on the property if it were not exempt. These payments would be distributed to local taxing units as if they were property tax.

Total local revenues would increase under this proposal. When assessed value is added to the tax base, the property tax levy remains the same, but tax rates are reduced. In this case, the removal (or non-addition) of valuation to the property tax rolls would have the effect of increasing (or not reducing) the tax rates. The PILOTS generated by this property would be considered miscellaneous revenue and would be collected outside of any levy limitations. The actual fiscal impact depends on the number and location of projects approved under this proposal.

**(C) *Economic Development Project Districts:*** If South Bend, Ft. Wayne, and Evansville were to utilize the incremental sales tax provisions in this bill, it could increase local revenue annually by an indeterminable amount. The total amount of sales tax increment is limited to \$1 M over the duration of each district. The bill specifies that this revenue could only be used for improvements related to roads, interchanges, and rights-of-way. The city of Ft. Wayne would also be permitted to use the revenue for the demolition of commercial property. In addition, Evansville would be permitted to use the money to acquire, demolish, and renovate housing development property or for physical improvements or alterations of property that enhance the district's viability.

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:** Dearborn County fiscal body; local civil units and school corporations in Dearborn County, Randolph County, Evansville, Fort Wayne, South Bend.

**Information Sources:** Tom Conley, Department of State Revenue; Local Government Database.